

Message Text

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PAGE 01 KUALA 06095 151048Z

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C O N F I D E N T I A L KUALA LUMPUR 6095

EXDIS

E.O. 11652: GDS

TAGS: EFIN, MY

SUBJ: ASSISTANCE TO MALAYSIA

REF: STATE 216840

1. DEPUTY FINANCE MINISTER CHONG TOLD DCM OCTOBER 15 THAT HIS SEPT 4 AND 5 MEETINGS WITH EA DEP ASST SEC EDMOND AND AID ASST ADMINISTRATOR GARDINER WERE AS RESULT OF DIRECT REQUEST BY PRIMIN RAZAK THAT HE EXPLORE WITH ASST SECRETARY HABIB QUESTION OF ECONOMIC ASSISTANCE. CHONG STATED THAT AS A RESULT OF HIS ALMOST YEARLY VISITS TO WASHINGTON FOR IBRD MEETINGS HE QUITE FAMILIAR WITH USG ASSISTANCE CRITERIA, AS WELL AS WITH VARIOUS MULTILATERAL FACILITIES. HE HAD NOT THOUGHT MALAYSIA QUALIFIED AS AID RECIPIENT, AND HAD BEEN EMBARRASSED TO RAISE SUBJECT. HE HAD DONE SO BECAUSE RAZAK PERSISTED IN BELIEVING THAT HABIB HAD INDICATED THAT IN AFTERMATH OF FALL OF VIETNAM USG PREPARED TO OFFER ECONOMIC ASSISTANCE. FROM GOM POINT OF VIEW, JUSTIFICATION FOR ANY SUCH ASSISTANCE WAS FAMILIAR GUNS AND BUTTER PROBLEM AS GOM MOVED TO BOLSTER MALAYSIAN DEFENSE IN VIETNAM AFTERMATH. HE ADDED PARENTHETICALLY THAT RAZAK DETERMINED TO GIVE PRIORITY TO DEFENSE BUILD-UP BECAUSE ARMED FORCES HAD BEEN ALLOWED TO DETERIORATE OVER PAST FIVE YEARS. THIS MEANT THAT DEVELOPMENT BUDGETS WERE LIKELY TO SUFFER, IN HIS VIEW A DANGEROUS PROSPECT.

2. DCM BRIEFLY DESCRIBED PARAMETERS OF ECONOMIC ASSISTANCE IN
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PAGE 02 KUALA 06095 151048Z

MUCH SAME TERMS USED BY EDMOND (REFTEL), ALTHOUGH IT CLEAR CHONG

ALREADY THOROUGHLY FAMILIAR WITH SUBJECT. DCM THEN MENTIONED THAT ECON COUNSELOR HAD ALREADY SEEN AND WOULD SHORTLY AGAIN BE DISCUSSING TECHNICAL ASSISTANCE POSSIBILITIES WITH CHONG'S DEPSEC GEN IN FOLLOW-UP TO CHONG'S CONVERSATION WITH GARDINER. CHONG WAS COURTEOUS BUT DISPLAYED NO INTEREST IN SUBJECT WHICH HE INDICATED WAS OF MINOR IMPORTANCE. DCM THEN DESCRIBED FMS CREDIT POSSIBILITIES IN SOME DETAIL. CHONG SHOWED LIVELY INTEREST, AND PARTICULARLY WISHED TO KNOW WHAT CHANCES WERE THAT FMS CREDIT COULD BE OFFERED YEARLY. DCM SAID THAT HE UNDERSTOOD WASHINGTON NOW CONSIDERING POSSIBILITY THAT FMS CREDIT BE CONTINUING PROGRAM, BUT THAT AS OF NOW ONLY FIRM OFFER WAS \$17 MILLION FOR FY76 SUBJECT TO CONGRESSIONAL APPROPRIATIONS.

3. COMMENT: FOREGOING HAS OMITTED MUCH PHILOSOPHIC DISCUSSIONS BY CHONG ON SUBJECT OF ASSISTANCE (HE DECLARES HIMSELF TOTALLY OUT OF SYMPATHY WITH PROPOSITION U.S. OWES SOMETHING TO THIRD WORLD), BUT ESSENTIAL MESSAGE WAS LOUD AND CLEAR: RAZAK'S NEW YORK CONVERSATION WITH HABIB HAD LED MALAYSIANS TO HOPE THAT IN AFTERMATH OF VIETNAM THEY MIGHT GET USG FINANCIAL ASSISTANCE FOR BOTH GUNS AND BUTTER AS GOM PRIORITIES SHIFTED TOWARD MILITARY NEEDS AT EXPENSE OF DEVELOPMENT. IT IS CLEAR THAT THIS HOPE WAS AS RESULT OF MISUNDERSTANDING. GOM IS INTERESTED IN OBTAINING FMS CREDIT, BUT IS NOT RPT NOT PARTICULARLY INTERESTED IN TECHNICAL ASSISTANCE - WHICH IT CAN PURCHASE ANY TIME FROM VARIETY OF SOURCES.
UNDERHILL

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